STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

SILAC INSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2021

TABLE OF CONTENTS

January 23, 2023

Honorable Jonathan T. Pike, Insurance Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, an examination, as of December 31, 2021, has been made of the financial condition and business affairs of:

SILAC INSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as "the Company", and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

Representatives of the Utah Insurance Department (Department) have performed a full scope examination of the Company. This examination covers the period of January 1, 2018, through December 31, 2021, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The examination is not part of a multi-state coordinated examination; Indiana Insurance Department declined to participate as the insurance affiliate domiciled in Indiana, Sterling Investors Life Insurance Company (SILIC), is not currently writing business as of December 31, 2021. The third insurance affiliate, Sterling National Life Insurance Company, was sold in June 2021, and re-domesticated to Texas. As a result, this examination only covered SILAC Insurance Company and was conducted solely by the Department representatives

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following items are significant findings and recommendations for inclusion in this report:

1. Review of Schedule D – Part 1 in the 2021 Annual Statement showed that the Company did not properly code its statutory deposits in accordance with the NAIC Annual Statement Instructions. Statutory deposits held for the benefit of the policyholders should be identified by "SD" in Column 3.

   Recommendation:

   We recommend the Company include the proper code "SD" for the statutory deposit investments on Schedule D – Part 1, Column 3, in accordance with the NAIC Annual Statement Instructions.

2. The Company reported Weddell Re Barbados (Weddell Re) as an authorized reinsurer on Schedule S – Part 3 – Section 1 of the 2021 Annual Statement. However, Weddell Re, being an offshore reinsurer, is an unauthorized reinsurer.

Recommendation:

We recommend the Company correct future reporting of Weddell Re to reflect that they are an unauthorized reinsurer. This should be done throughout the Annual Statement, in addition to Schedule S - Part 3 - Section 1.

3. During substantive testing, the examination team noted that reinsurance recoverable amounts for Weddell Re A, C, and D cells reported as of December 31, 2021, were not settled according to the terms of the corresponding reinsurance agreements. In Section 6.2 of these agreements it states, "Each net amount due the Ceding Company or the Reinsurer with respect to each Accounting Period ending after the Funding Date as reflected on a Monthly Report shall be paid in cash by the owing party no later than fifteen (15) Business Days after receipt by the Reinsurer of the Monthly Report." Weddell Re cell A amounts were settled on April 15, 2022 and included November and December 2021 invoices. Weddell Re cell C amounts were settled on July 18, 2022 and included invoices from July through December 2021, and Weddell Re cell D amounts were settled on March 25, 2022 and included November and December 2021 invoices.

   Recommendation:

   We recommend the Company settle amounts due to and from Weddell Re within the timeframe outlined in the reinsurance agreements. Attempts to collect aged invoices from the Company that are not compliant with the reinsurance agreement should be documented and escalated with Weddell Re. In addition, any payments due from the reinsurer that are not made in cash within 90-days of the receipt of the Monthly Report should not be included in the reinsurance credit per Utah Admin. Code R590-143-3(8).

4. The Company's investment footnotes and investment schedules in the 2021 Annual Statement had reporting errors, including, but not limited to:

   a. FHLB Collateral – Footnote 5(L)(1)(1) shows $5.4M in collateral pledged to the Federal Home Loan Bank (FHLB), but there is no FHLB stock reported in Footnote 11(B). The Company has stated that this represents securities pledged as collateral under the US Bank line of credit agreement.

   b. Schedule D Reporting – The Company is not appropriately disclosing its Bank Loan investments. The Company reported no Bank Loans in the 2021 Annual Statement. However, examiners identified five (5) investments that should have been reported as Bank Loans in accordance with SSAP. 26R.

In addition, Schedule D "Issuer" and "Issue" columns were not correctly populated while the "Description" column was populated with tickers rather than names.

Finally, the Company provided Private Letter ratings to the exam team that were not properly identified on Schedule D.

c. Schedule BA – The 2021 Annual Statement reported no unfunded commitments. However, based on the Schedule BA investment data provided to the exam team, there was $11M of unfunded commitments, primarily for Knighthead, one of the Company's offshore reinsurers.

d. Future Funding Commitments of Mortgage Loans – As of December 31, 2021, the Company had $169.1M of future mortgage loan funding commitments, or 22.1% of the total commitment amount. This commitment was not disclosed in Footnote 14 – Liabilities, Contingencies and Assessments.

Recommendation:

We recommend the Company critically review its investment footnote and schedules to ensure all disclosures are correctly presented.

Additionally, we recommend that all crucial investment documentation be maintained.

5. <u>Schedule B Reporting</u> – The Company invests in Mezzanine Mortgage Loans through the Funds Withheld Accounts associated with various reinsurance agreements. Utah Code § 31A-18-106(2)(b)(iv) do not permit insurers to invest in Mezzanine Loans that are other than first lien mortgages. Additionally, this section of Utah investment code limits mortgage loans investment to no more than 80% loan-to-value. This is an aggregate limit that includes the first lien mortgage loan which the Company does not hold.

   During discussions with the Company, the examination team was informed that the Company utilized the Utah basket clause provision as a means to admit investments in Mezzanine Loans for year-end 2021. However, this is not an appropriate interpretation of the basket clause given the specific limitations related to mortgage loan investments.

   a. Additionally, the examination team was informed that the Company's exposure to Mezzanine Loans was actually $112.3 million at the end of 2021, significantly higher than the reported total in the Annual Statement. A significant number of those holdings also represent situations where the aggregate loan-to-value exceeds the maximum 80% limit.
   b. As confirmed via discussion with the Company, certain mortgage loans were misclassified where approximately $65M of mezzanine loans were incorrectly

reported as commercial mortgage loans and $15M of commercial mortgage loans were incorrectly reported at mezzanine mortgage loans.

Recommendation:

We recommend the Company appropriately dispose of Mezzanine Loans that do not comply with Utah code § 31A-18-106(2)(b)(iv).

6. During our review of the Board of Directors meeting minutes, we noted the Appointed Actuary's presentation to the Board took place in 2020 and 2022, for the year end 2019, and 2021, respectively. However, there was no evidence of similar presentation being made in 2021 for the year end 2020.

Recommendation:

In accordance with the requirement of the NAIC Annual Statement Instructions, we recommend a consistent presentation from the Appointed Actuary be made to the Board of Directors (or Committee thereof).

7. During substantive testing of the Weddell Re orginal collateral (OC) and additional collateral (AC) trust agreements, the examiner found that the agreements do not contain all of the required provisions outlined in Utah Admin. Rule R590-173-10-4(a), 4(b), 6(e), 6(f), and 9.

Recommendation:

We recommend the Company revise the Weddell Re OC and AC Trust Agreements to bring them into compliance with the required provisions outlined in Utah Admin. Rule R590-173-10-4(a), 4(b), 6(e), 6(f), and 9.

8. Review of the Company's investment portfolio showed potential areas of conflict of interest as there are investments that appeared to be reinvestments of the capital provided into investment vehicles that were either directly or indirectly related to the reinsurance capital providers. These include several investments reported on Schedule BA.

Recommendation:

We recommend the Company appropriately consider potential conflicts of interest as part of its due diligence prior to investing in any assets within its retained portfolio or as part of the reinsurance portfolios. Although it appears that such conflicts of interest are being identified by the Company's investment manager, it is unclear as to the robustness of any discussions with the Company's Investment Committee or the conclusion from those discussions

The circular nature of funds flows if capital provided is substantially returned either directly or indirectly back to the capital provider presents a substantial concern and should be reviewed in its entirety to determine the appropriateness.

9. Specific to investments reported on Schedule BA of the 2021 Annual Statement, the following issues were identified:
    a. Characterization of Investments Reported on Schedule BA – The vast majority of investments reported on Schedule BA were reported as "Any Other Class of Assets." Based on a detailed sample review of deal documents, these shoud have been reported as JV/LLC/LPs, with subclassifications of Common Stock, Real Estate, and Fixed Income Instruments. Other securities that were not part of the sample tested appear to be debt instruments that should be reported as Bank Loans.

    b. Supporting Doucmentation for Reporting – The Company utilizes capital account statements and other supporting documentation (e.g. email communications) to determine the reported carrying value and fair market value of investments reported on Schedule BA. These do not reflect estimates of fair market value but, rather, are statements summarizing invested capital net of any distributions for JV/LLC/LP investments.

    c. Lack of Obtaining GAAP Audited Financial Statements to Support Fair Valuation – Although requested by the exam team, the Company was not able to provide GAAP audited financial statements to support the valuation of fund investments reported on Schedule BA, and was inconsistent in its responses as to whether the Company routinely obtained audited financial statements for these fund investments.

Recommendation:

We recommend the Company critically review its accounting for investments reported on Schedule BA for accuracy in accordance with the SSAP No. 48 guidance in terms of characterization on Schedule BA as well as the appropriate accounting and reporting of the valuation of its Schedule BA investments.

Further, we recommend that the Company, after appropriately accounting and disclosing its fund investments on Schedule BA, obtain GAAP audited financial statements to support the fair valuation disclosed on Schedule BA.

COMPANY HISTORY

General

Equitable Mutual Life Insurance Company of Utah was founded by the Ross family and incorporated on June 6, 1935 under the laws of the State of Utah as a mutual benefit assessment association. The Company changed its name to Equitable Life & Casualty Insurance Company on May 18, 1938. The Company converted to a capital stock company on May 20, 1946.

On February 10, 2017, the Company was purchased by Equitable Family Insurance Group, Inc. (EFIG), whose ultimate controlling person is Stephen C. Hilbert, and the Company changed its name to Equitable Life & Casualty Insurance Company. On April 2, 2020, EFIG changed its name to Sterling Financial Insurance Group (SFIG). On May 19, 2020, the Company changed its name to SILAC Insurance Company.

In 2019, the Company shifted its strategy to concentrate product development and sales in fixed annuity business lines. Since the introduction of the annuity lines of business, the company has ceased writing long-term care, life insurance, hospital indemnity, and Medicare supplement business.

Mergers and Acquisitions

No mergers or acquisitions took place during the examination period.

Dividends and Capital Contributions

The Company declared and paid dividends to stockholders in the amount of $8M in 2021; no dividends were paid in 2018, 2019, and 2020.

During this examination period, the Company received the following capital contributions from SFIG:

2018	2019	2020	2021
$18M	$57M	$40M	$40M

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The Company's bylaws state that the number of directors constituting the Board of Directors shall be not less than three (3) and not more than twenty-five (25).

The following persons served as directors of the Company as of December 31, 2021:

Name and Location	Principal Occupation
Stephen C. Hilbert *Carmel, IN*	CEO, Chairman of the Board *Sterling Financial Insurance Group*
James S. Adams *Westfield, IN*	CFO, Vice Chairman *Sterling Financial Insurance Group*
Ngaire E. Cuneo *Naples, FL*	Executive Vice President *Sterling Financial Insurance Group*
Scott D. Matthews *Fishers, IN*	Chief Legal Officer & Secretary *Sterling Financial Insurance Group*
William C. Stone *Naples, FL*	Chairman & CEO *SS&C Technologies*
Russell K. Mayerfeld *Kenilworth, IL*	Retired *Allstate Insurance Company*
Michael J. Stone *Bradenton, FL*	Retired *RLI Corporation*

Committees

Compositions of the Board committees as of December 31, 2021, were as follows:

Audit Committee	Investment Committee	ERM/Corporate Governance Committee
William C. Stone, *Chairman*	James S. Adams, *Chairman*	Scott D. Matthews, *Chairman*
Ngaire E. Cuneo	Stephen C. Hilbert	James S. Adams
Russell K. Mayerfeld	Ngaire E. Cuneo	Ngaire E. Cuneo
Michael J. Stone	Russell K. Mayerfeld	Michael J. Stone

Compensation/Benefits Committee	Executive Committee
Stephen C. Hilbert, *Chairman*	James S. Adams, *Chairman*
James S. Adams	Stephen C. Hilbert
Ngaire E. Cuneo	Ngaire E. Cuneo
	Russell K. Mayerfeld

Officers

The following persons served as Officers of the Company as of December 31, 2021:

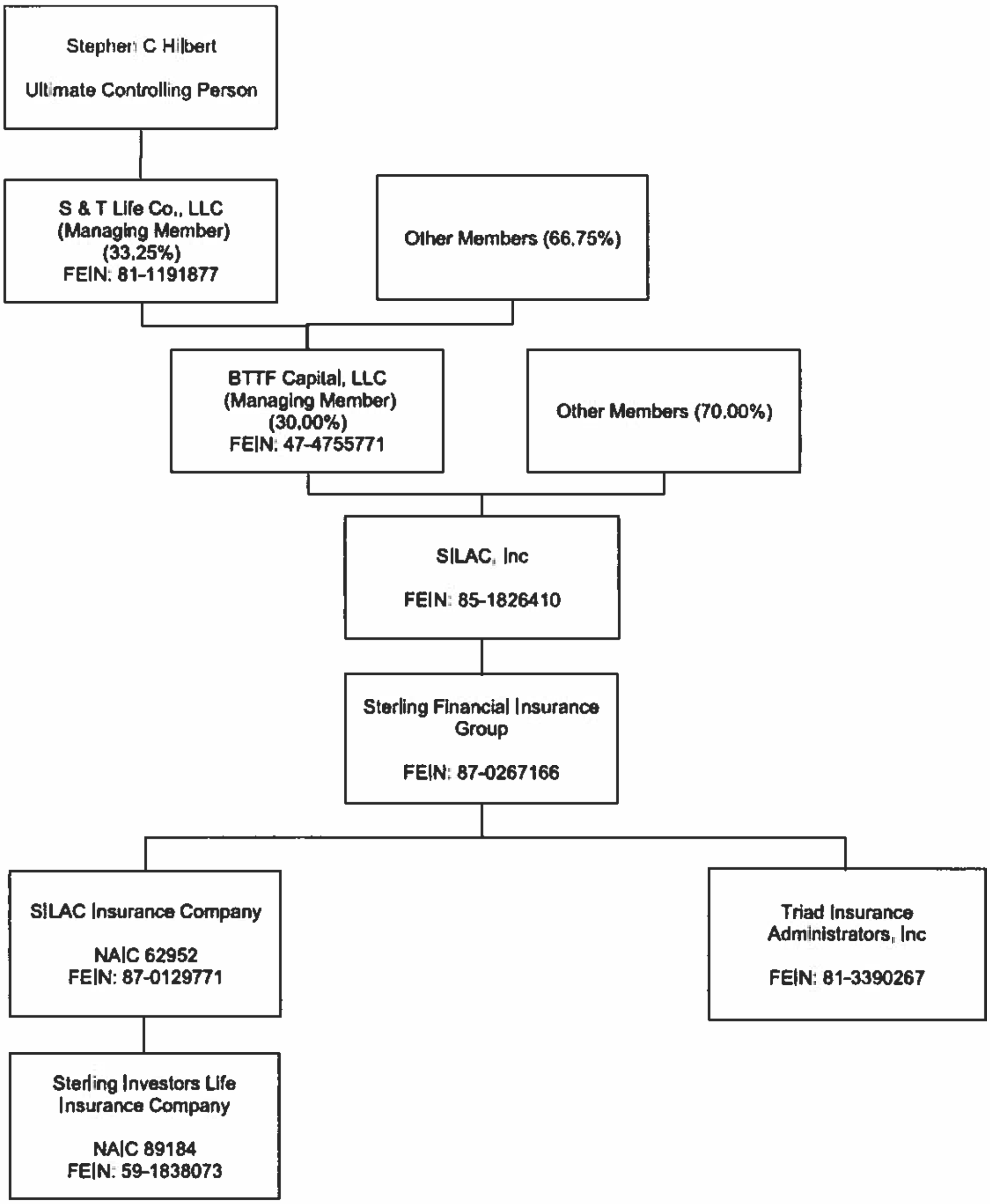
Name	**Title**
Stephen C. Hilbert	CEO, UCP
G. Daniel Acker	President & Chief Marketing Officer
James S. Adams	CFO & Chief Investment Officer
Ngaire E. Cuneo	Executive Vice President
Scott D. Matthews	Chief Legal Counsel & Secretary
Jennifer E. Dixon	Senior Vice President of Finance
Eric Weber	Senior Vice President of Finance & Internal Audit
Sam Belnap	Senior Vice President & Chief Information Officer

Holding Company

The Company is a member of a holding company as defined in Utah Code §31A-16 and is a wholly-owned subsidiary of Sterling Financial Insurance Group (SFIG). The majority shareholder and ultimate controlling person of the holding company is Mr. Stephen C. Hilbert.

The following organizational chart reflects the current holding company structure:

SCHEDULE Y
PART 1 - ORGANIZATIONAL CHART



Transactions and Agreements with Affiliates

At the examination date, there was an Administrative Services Agreement between Sterling National Life Insurance Company (Sterling National) and SILIC, which related to the sale of Sterling National by the holding company. Besides that, there was no other related party agreement in place. However, SILIC paid, on behalf of the Company, certain travel expenses, but those transactions are reimbursed as they are incurred.

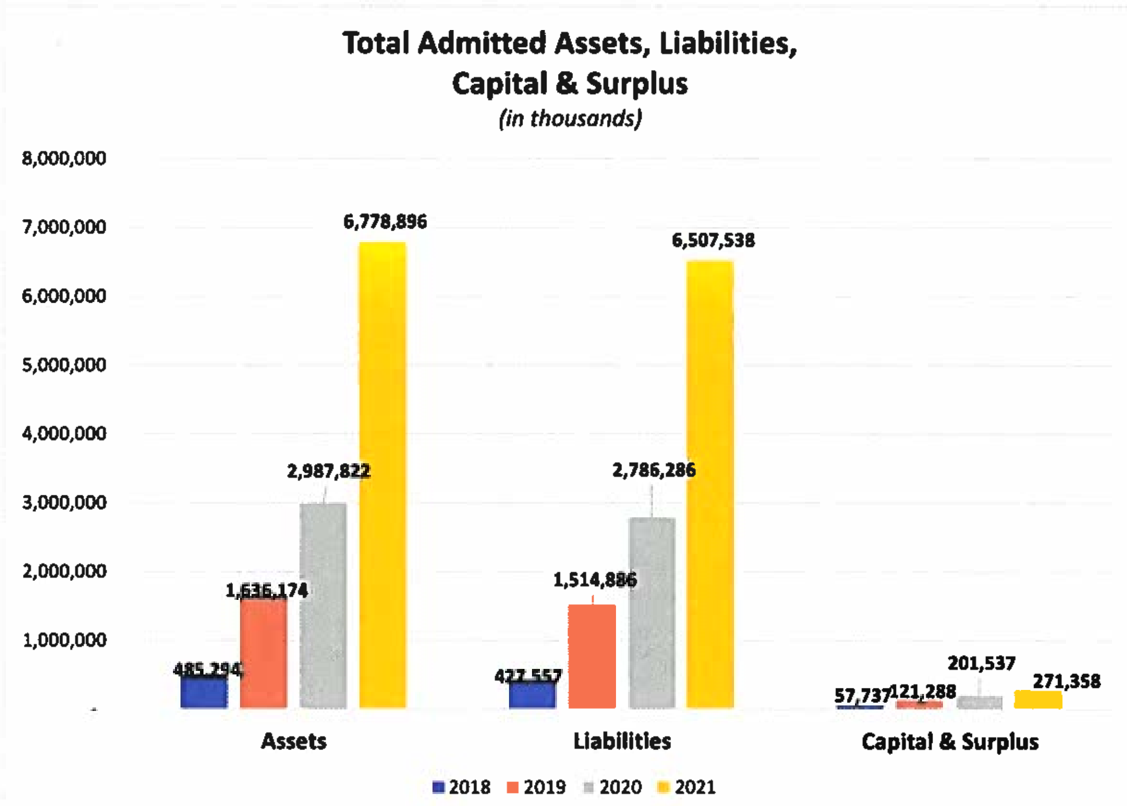
TERRITORY AND PLAN OF OPERATIONS

The Company's major product lines are concentrated in the senior markets and consist of a multi-year guaranteed annuity (MYGA), a fixed indexed annuity (FIA), a single premium deferred annuity (SPDA), and a number of cash benefit plans. As of December 31, 2021, the Company was licensed in 46 states and the District of Columbia. The Company has discontinued its Medicare supplement, final expense life, long-term care, and hospital indemnity insurance lines.

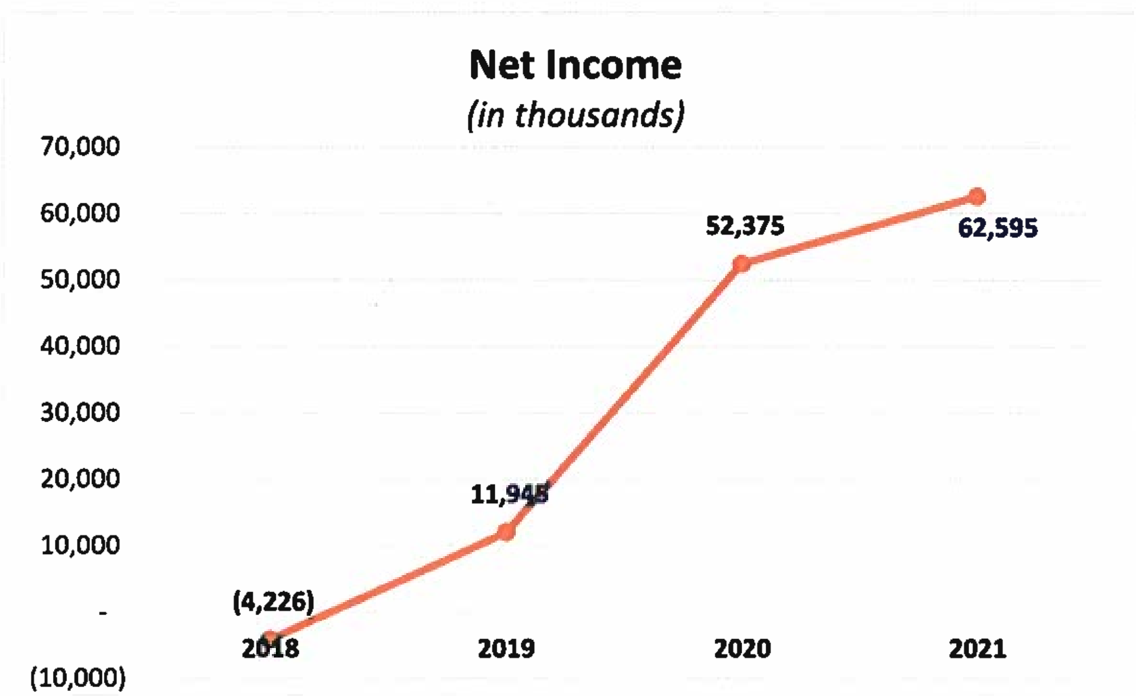
GROWTH OF COMPANY

Since the introduction of the annuity products, the Company experienced rapid growth year over year as reflected in its assets and liabilities. However, the Company only had a lesser increase in capital and surplus.

The following graphs illustrate the growth of the Company during the examination period:



Sources: 2018 – 2021 Annual Statements



Sources: 2018 – 2021 Annual Statements

REINSURANCE

Assumed
The Company assumes 95% of premiums and claims risk from Heartland National Life Insurance Company. This agreement was set up in 2009 to reinsure a block of 1990 Standardized Medicare Supplement insurance. As of December, 31, 2021, the assumed premium collected was $1,027,843.

Ceded (Closed Business)

- Medicare Supplement
  The Company retains 5% of all modernized Medicare Supplement policies with an effective date of October 1, 2012, with the remaining 95% of the liability ceded to Aetna Life Insurance Company ($62,123,846 premiums ceded as of the exam date). Similar agreement is in place with Americo Financial Life and Annuity Insurance Company with an effective date of May 1, 2013.
- Life Insurance
  "Little More" life policies are 100% reinsured with Oxford Life Insurance Company ($23,579,533 reserve credit). "Legacy" life policies are 60% coinsured with Optimum Re Insurance Company ($8,940,858 reserve credit). The "Heritage Protector" final expense product is 95% coinsured with Americo ($7,960,893 reserve credit). The Company also has similar reinsurance arrangements with Washington National Insurance Company, Standard Life Insurance Company and Swiss Re, however the amount is immaterial.
- Long-Term Care (LTC)
  Munich Re reinsuring 90% ($116,867,257 reserve credit taken other than for unearned premiums); RGA reinsuring 50% ($17,792,962 reserve credit other than unearned premiums); IOA Re reinsures 20% for the first 2 years, then 90% consisting of Swiss Re ($21,735,126 reserve credit other than unearned premiums), Sun Life Assurance Company of Canada ($17,388,101 reserve credit other than unearned premiums) and Transamerica Occidental Life ($4,347,025 reserve credit other than unearned premiums).

Ceded (Annuities)
The Company has a number of reinsurance partners for its annuity products. The majority of the reinsurers for this line of business are offshore unauthorized reinsurers.

The following ceded reinsurance agreements were in effect as of December 31, 2021:

Reinsurer	Product	Retention	Ceded Amount as of 12/31/2021
Knighthead Annuity & Life Assurance Company (Unauthorized, Alien)	Fixed Annuity	Quota Share of a minimum of 20% up to a maximum of 80% of any MYGA product, as determined by the Company.	$813M ceded
Converge Re II	Fixed Annuity	Teton: Quota share is 10%	$567M ceded
Weddell Re Barbados (Unauthorized, Alien)	Fixed Annuity	Modco with Funds Withheld - Min of 10%, max of 90% of Teton and Denali contracts during any month.	$783M ceded
777 Re LTD. (Unauthorized, Alien)	Fixed Annuity	Modco with Funds Withheld - No more than 90% (Teton and Denali contracts)	$923M ceded
Heritage Life Insurance Company	Fixed Annuity	Coinsurance - Min of 10%, max of 90%	$2,166M ceded

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2021. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

SILAC INSURANCE COMPANY
BALANCE SHEET

as of December 31, 2021

ASSETS

	Net Admitted Assets
Bonds	$4,823,766,681
Preferred stocks	63,498,800
Common stocks	22,675,211
Mortgage loans on real estate – First liens	519,368,049
Mortgage loans on real estate – Other than first liens	97,500,000
Real Estate – Properties held for the production of income	81,620,072
Cash, cash equivalents and short-term investments	776,849,375
Contract loans	1,385,090
Derivatives	17,729,005
Other invested assets (Schedule BA)	186,350,731
Investment income due and accrued	40,472,569
Uncollected premiums and agents' balances in the course of collection	3,684,853
Deferred premiums and agents' balance and installments booked but deferred and not yet due	535,804
Amounts recoverable from reinsurers	42,098,053
Other amounts receivable under reinsurance contracts	78,633,316
Net deferred tax asset	19,227,566
Guaranty funds receivable or on deposit	838,256
Electronic data processing equipment and software	1,538,155
Receivables from parent, subsidiaries and affiliates	907,180
Aggregate write-ins for other than invested assets	217,075
Total Assets	$6,778,895,841

SILAC INSURANCE COMPANY
BALANCE SHEET (Continued)
as of December 31, 2021

LIABILITIES, SURPLUS, AND OTHER FUNDS

	Current Year
Aggregate reserve for life contracts	$2,032,979,877
Aggregate reserve for accident and health contracts	243,357,799
Liability for deposit-type contracts	844,900,427
Contract claims – Life	1,292,536
Contract claims – Accident and health	4,308,338
Policyholders' dividend and refunds to members not yet apportioned	244
Coupons and similar benefits	134
Premiums and annuity considerations for life and accident and health contracts received in advance	5,712
Other amounts payable on reinsurance	302,506,684
Interest maintenance reserve (IMR)	38,684,754
Commissions to agents due or accrued-life and annuity contracts	17,078,953
General expenses due or accrued	9,593,500
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,835,921
Current federal and foreign income taxes	6,900,772
Unearned investment income	6,288,626
Amounts withheld or retained by reporting entity as agent or trustee	4,400,142
Amounts held for agents' account	1,833,238
Remittances and items not allocated	108,866,322
Asset valuation reserve (AVR)	49,665,818
Funds held under reinsurance treaties with unauthorized and certified reinsurers	1,705,802,713
Funds held under coinsurance	1,122,126,343
Payable for securities	2,460,698
Aggregate write-ins for liabilities	1,648,100
Total Liabilities	6,507,537,651
Common capital stock	2,500,000
Surplus notes	14,250,000
Gross paid in and contributed surplus	155,000,000
Unassigned funds (surplus)	99,608,190
Total Capital & Surplus	271,358,190
Total Liabilities, Surplus and Other Funds	$6,778,895,841

SILAC INSURANCE COMPANY
STATEMENT OF INCOME

for the Year-Ended December 31, 2021

	Current Year
Premiums and annuity considerations for life and accident and health contracts	$1,299,692,261
Net investment income	86,204,387
Amortization of interest maintenance reserve (IMR)	1,548,829
Commissions and expenses allowances on reinsurance ceded	324,156,320
Aggregate write-ins for miscellaneous income	438,069
Total revenues	1,712,039,865
Death benefits	2,762,804
Matured endowments	120,380
Annuity benefits	37,577,374
Disability benefits and benefits under accident and health contracts	39,841,166
Surrender benefits and withdrawals for life contracts	16,414,680
Interest and adjustments on contract or deposit-type contract funds	18,106,834
Payments on supplementary contracts with life contingencies	50,879
Increase in aggregate reserves for life and accident and health contracts	1,079,267,605
Subtotal	1,194,141,722
Commissions on premiums, annuity considerations, and deposit-type contract funds	376,793,085
Commissions and expense allowances on reinsurance assumed	97,640
General insurance expenses and fraternal expenses	57,539,748
Insurance taxes, licenses and fees, excluding federal income taxes	8,401,889
Aggregate write-ins for deductions	54,077
Total underwriting deductions	1,637,028,161
Dividends to policyholders and refunds to members	2,469
Federal and foreign income taxes incurred	32,558,315
Net realized capital gains (losses), less capital gains tax	20,144,063
Net income	$62,594,983

SILAC INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS

2018 through 2021

	2018	2019	2020	2021
Capital and surplus, December 31, prior year	$43,256,264	$57,736,638	$121,287,905	$201,536,526
Net income	(4,226,438)	11,944,502	52,374,765	62,594,983
Change in net unrealized gains (losses)	(140,422)	(201,852)	1,390,494	159,611
Change in net deferred income tax	4,774,311	6,715,033	6,414,922	16,616,357
Change in nonadmitted assets	(4,118,317)	(4,697,660)	(3,993,133)	(13,150,444)
Change in asset valuation reserve	(197,966)	(7,125,524)	(11,736,590)	(28,398,842)
Surplus, paid in	18,000,000	57,000,000	40,000,000	40,000,000
Change in surplus as a result of reinsurance	389,206	(83,232)	0	0
Dividends to stockholders	0	0	0	(8,000,000)
Aggregate write-ins for gains and losses in surplus	0	0	(4,201,837)	0
Net change in capital and surplus for the year	14,480,374	63,551,267	80,248,621	69,821,665
Capital and surplus, December 31, current year	$57,736,638	$121,287,905	$201,536,526	$271,358,190

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as of December 31, 2021, as a result of the examination.

SUBSEQUENT EVENTS

On September 22, 2022, SILAC, Inc. entered into a Stock Purchase and Reinsurance Agreement with Hildene Opportunities Master Fund, Ltd. and Hildene Capital Management, LLC (collectively Hildene), which resulted in a capital injection of $75M into SILAC, Inc. SILAC, Inc. then issued a second surplus note debenture to contribute the entire $75M to the Company. The surplus note was approved by the Department on December 21, 2022. In relation to this transaction, Hildene also submitted a Disclaimer of Control to the Department which outlines that Hildene is purchasing non-voting securities, and that Hildene will not obtain control over the Company and Stephen C. Hilbert would continue as the UCP. The Department non-disapproved the Disclaimer of Control on December 1, 2022.

ACKNOWLEDGEMENT

Mike Presley, FSA, MAAA, Lead Consulting Actuary, of Risk & Regulatory Consulting, LLC, performed the actuarial review of the examination. Ed L. Toy, Investment Specialist, and Laura Clark, CFE, CPA, Director, also of Risk & Regulatory Consulting, LLC, performed the investment review. Stefan Obereichholz-Bangert, AES, CISA, CISM, CDPSE, IT Specialist, and Brad Myers, CISA, CISM, CISSP, IT Specialist, of Noble Consulting Services, Inc., performed the information systems review. Malis Rasmussen, MSA, CFE, SPIR, Chief Financial Examiner, of Utah Insurance Department, supervised the examination. Alan Monsen, Financial Examiner, and Natasha Robinson, CFE, Financial Regulation Supervisor of the Utah Insurance Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

Cambria Shore

Cambria Shore, MSA, AFE, APIR
Examiner-in-Charge
Utah Insurance Department